

NORTHWEST COMPASS, INC.

*Financial
statements*

*for the
years ended
June 30,
2014 and 2013*

NORTHWEST COMPASS, INC.

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AUDITEE'S CERTIFICATION

I hereby certify that I have examined the accompanying financial statements and supplementary information of Northwest Compass, Inc. for the year ended June 30, 2014 and, to the best of my knowledge and belief, the same is complete and accurate.

NORTHWEST COMPASS INC.

Federal I.D. #36-3382832

Ronald Jordan, Executive Director

MANAGING AGENT'S CERTIFICATION

I hereby certify that I have examined the accompanying financial statements and supplementary data of Northwest Compass, Inc.. for the year ended June 30, 2014 and, to the best of my knowledge and belief, the same are complete and accurate.

NORTHWEST COMPASS INC.

Federal I.D. #36-3382832

Ronald Jordan, Executive Director



Certified Public Accountants and Advisers

INDEPENDENT AUDITORS' REPORT

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To the Board of Directors of
Northwest Compass, Inc.
Mount Prospect, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Northwest Compass, Inc. (an Illinois not-for-profit corporation), IHDA Loan No. 30-1152-01, which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the

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reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northwest Compass, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information commencing on page 31 is presented for purposes of additional analysis as required by the *Consolidated Audit Guide for Audits of HUD Programs* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2014, on our consideration of Northwest Compass, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting

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or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northwest Compass, Inc.'s internal control over financial reporting and compliance.

SS&G, Inc.

October 28, 2014

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NORTHWEST COMPASS, INC.

STATEMENTS OF FINANCIAL POSITION

	JUNE 30,	
	2014	2013
ASSETS		
CURRENT ASSETS		
Cash	\$ 47,163	\$ 216,267
Grants receivable	114,903	60,999
Pledges receivable	8,379	6,338
Rent and other receivables	1,806	34,180
Food pantry inventory	10,409	58,646
Prepaid expenses	23,238	20,608
	<u>205,898</u>	<u>397,038</u>
PROPERTY AND EQUIPMENT, net		
Land	189,885	189,885
Buildings and improvements	1,773,753	1,856,000
Appliances	2,622	3,503
Equipment	3,121	5,055
	<u>1,969,381</u>	<u>2,054,443</u>
OTHER ASSETS		
Insurance escrow deposit	19,204	13,121
Deposits - non tenant related	5,226	4,976
Deposits held in trust for participants	16,504	11,233
Long-term investments	867,180	920,663
Operating cash reserve	183,275	183,272
Replacement reserve	27,485	37,344
	<u>1,118,874</u>	<u>1,170,609</u>
TOTAL ASSETS	<u>\$ 3,294,153</u>	<u>\$ 3,622,090</u>

See accompanying notes to financial statements.

NORTHWEST COMPASS, INC.

STATEMENTS OF FINANCIAL POSITION

	JUNE 30,	
	2014	2013
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of mortgage notes payable	\$ 17,340	\$ 193,576
Accounts payable	14,211	46,486
Accrued liabilities	41,421	144,923
	<u>72,972</u>	<u>384,985</u>
LONG-TERM LIABILITIES		
Mortgage notes payable	662,758	675,867
Less current portion of mortgage notes payable	(17,340)	(193,576)
Security deposits	16,326	11,042
	<u>661,744</u>	<u>493,333</u>
TOTAL LIABILITIES	734,716	878,318
NET ASSETS		
Unrestricted:		
General	1,683,119	1,813,511
Board designated	867,180	920,663
	<u>2,550,299</u>	<u>2,734,174</u>
Temporarily restricted	9,138	9,598
	<u>2,559,437</u>	<u>2,743,772</u>
TOTAL NET ASSETS	2,559,437	2,743,772
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,294,153</u>	<u>\$ 3,622,090</u>

See accompanying notes to financial statements.

NORTHWEST COMPASS, INC.

STATEMENT OF ACTIVITIES

	FOR THE YEAR ENDED JUNE 30, 2014		
	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Public support:			
Contributions	\$ 70,020	\$ 1,488	\$ 71,508
Contributions in kind	21,554	-	21,554
Value of food donated (106,682 pounds)	276,308	-	276,308
Corporations and foundations	135,587	-	135,587
United Way	100,000	-	100,000
Total public support	603,469	1,488	604,957
Government Contracts:			
Federal grants	325,789	-	325,789
Townships, cities and villages	203,714	7,650	211,364
Total government contracts	529,503	7,650	537,153
Other Revenues:			
Miscellaneous	3,646	-	3,646
Rents	135,086	-	135,086
Fees and charges	6,380	-	6,380
Total other revenues	145,112	-	145,112
Investment Income:			
Investment income	23,790	-	23,790
Realized gain on investments	21,336	-	21,336
Unrealized gain on investments	69,922	-	69,922
Total investment income	115,048	-	115,048
Total revenues	1,393,132	9,138	1,402,270
Released from restriction	9,598	(9,598)	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	1,402,730	(460)	1,402,270

See accompanying notes to financial statements.

NORTHWEST COMPASS, INC.

STATEMENT OF ACTIVITIES

	FOR THE YEAR ENDED JUNE 30, 2014		
	Unrestricted	Temporarily Restricted	Total
OPERATING EXPENSES			
Program:			
Career Coaching	\$ 47,968	\$ -	\$ 47,968
Child Care	174,871	-	174,871
Compass Point	52,035	-	52,035
Food Connection	430,827	-	430,827
Health Insurance Enrollment	40,361	-	40,361
Helping Hands	16,603	-	16,603
Housing Counseling & Education	108,254	-	108,254
Transitional Living	526,762	-	526,762
Other Programs	26,134	-	26,134
Total program	1,423,815	-	1,423,815
Management and general	162,790	-	162,790
Fundraising	-	-	-
TOTAL OPERATING EXPENSES	1,586,605	-	1,586,605
CHANGE IN NET ASSETS	(183,875)	(460)	(184,335)
NET ASSETS, beginning of year	2,734,174	9,598	2,743,772
NET ASSETS, end of year	\$ 2,550,299	\$ 9,138	\$ 2,559,437

See accompanying notes to financial statements.

NORTHWEST COMPASS, INC.

STATEMENT OF ACTIVITIES

	FOR THE YEAR ENDED JUNE 30, 2013		
	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Public support:			
Contributions	\$ 25,599	\$ 4,723	\$ 30,322
Contributions in kind	14,952	-	14,952
Value of food donated (52,229 pounds)	97,668	-	97,668
Corporations and foundations	49,650	-	49,650
United Way	133,100	-	133,100
Direct mail campaign	7,995	-	7,995
Total public support	328,964	4,723	333,687
Government Contracts:			
Federal grants	293,389	-	293,389
Townships, cities and villages	297,917	4,875	302,792
Total government contracts	591,306	4,875	596,181
Other Revenues:			
Miscellaneous	116	-	116
Loss on disposal of assets	(1,550)	-	(1,550)
Rents	142,083	-	142,083
Fees and charges	13,213	-	13,213
Total other revenues	153,862	-	153,862
Investment Income:			
Investment income	26,781	-	26,781
Realized gain on investments	115,324	-	115,324
Unrealized loss on investments	(78,182)	-	(78,182)
Total investment income	63,923	-	63,923
Total revenues	1,138,055	9,598	1,147,653
Released from restriction	13,586	(13,586)	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	1,151,641	(3,988)	1,147,653

See accompanying notes to financial statements.

NORTHWEST COMPASS, INC.

STATEMENT OF ACTIVITIES

	FOR THE YEAR ENDED JUNE 30, 2013		
	Unrestricted	Temporarily Restricted	Total
OPERATING EXPENSES			
Program:			
Comprehensive case management	\$ 52,973	\$ -	\$ 52,973
Day care	112,316	-	112,316
Emergency assistance	174,575	-	174,575
Financial management and budget counseling	49,210	-	49,210
Temporary shelters	513,520	-	513,520
Employment counseling	40,367	-	40,367
Head start	11,869	-	11,869
Total program	954,830	-	954,830
Management and general	86,692	-	86,692
Fundraising	26,942	-	26,942
TOTAL OPERATING EXPENSES	1,068,464	-	1,068,464
CHANGE IN NET ASSETS	83,177	(3,988)	79,189
NET ASSETS, beginning of year	2,650,997	13,586	2,664,583
NET ASSETS, end of year	\$ 2,734,174	\$ 9,598	\$ 2,743,772

See accompanying notes to financial statements.

NORTHWEST COMPASS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

	FOR THE YEAR ENDED JUNE 30, 2014													
	PROGRAM										SUPPORT			
	Career Coaching	Child Care	Compass Point	Food Connection	Health Insurance Enrollment	Helping Hands	Housing Counseling & Education	Transitional Living	Other Programs	Total	Management and General	Fundraising	Total	Organization Total
Salaries and benefits	\$ 39,265	\$ 64,403	\$ 43,325	\$ 65,840	\$ 36,969	\$ 5,901	\$ 58,800	\$ 191,502	\$ 15,147	\$ 521,152	\$ 102,482	\$ -	\$ 102,482	\$ 623,634
Administration	3,274	3,117	3,682	9,140	826	3,682	8,561	31,622	669	64,573	18,211	-	18,211	82,784
Board of directors	-	-	-	-	-	-	-	-	-	-	195	-	195	195
Client support	-	-	-	-	-	-	-	9,956	-	9,956	-	-	-	9,956
Contracted services	701	2,870	745	5,476	861	217	1,983	8,727	318	21,898	-	-	-	21,898
Direct client assistance	-	101,423	-	-	-	2,520	31,451	-	9,963	145,357	3	-	3	145,360
Equipment	-	-	-	-	-	-	-	7,739	-	7,739	9,138	-	9,138	16,877
Food connection	-	-	-	326,385	-	-	-	-	-	326,385	-	-	-	326,385
Interest expense	277	277	553	2,767	-	553	443	2,214	-	7,084	3,985	-	3,985	11,069
Miscellaneous	181	90	90	3,673	90	90	271	6,359	-	10,844	5,393	-	5,393	16,237
Occupancy	4,106	2,527	3,476	17,382	1,578	3,476	6,254	267,856	-	306,655	16,159	-	16,159	322,814
Office expense	164	164	164	164	37	164	491	787	37	2,172	4,465	-	4,465	6,637
Professional services	-	-	-	-	-	-	-	-	-	-	2,759	-	2,759	2,759
Total functional expenses	\$ 47,968	\$ 174,871	\$ 52,035	\$ 430,827	\$ 40,361	\$ 16,603	\$ 108,254	\$ 526,762	\$ 26,134	\$ 1,423,815	\$ 162,790	\$ -	\$ 162,790	\$ 1,586,605

See accompanying notes to financial statements.

NORTHWEST COMPASS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30,2013

	PROGRAM							SUPPORT				
	Comprehensive Case Management	Day Care	Emergency Assistance	Financial Management and Budget Counseling	Temporary Shelters	Employment Counseling	Head Start	Total	Management and General	Fundraising	Total	Organization Total
Salaries and benefits	\$ 23,361	\$ 15,942	\$ 46,636	\$ 26,332	\$ 241,880	\$ 22,888	\$ 7,558	\$ 384,597	\$ 43,620	\$ 17,685	\$ 61,305	\$ 445,902
Administration	5,013	2,293	6,967	2,349	22,470	2,075	-	41,167	20,932	1,852	22,784	63,951
Board of directors	-	-	-	-	-	-	-	-	430	-	430	430
Client support	-	-	3,658	-	251	-	-	3,909	-	-	-	3,909
Contracted services	13,106	3,418	18,009	9,806	10,938	7,755	-	63,032	6,836	3,418	10,254	73,286
Direct client assistance	-	87,000	39,126	-	1,505	-	4,311	131,942	-	-	-	131,942
Equipment	-	-	757	-	3,804	-	-	4,561	2,932	-	2,932	7,493
In-Kind donations	-	-	39,022	-	-	-	-	39,022	-	-	-	39,022
Interest expense	2,063	645	3,224	1,676	2,063	1,289	-	10,960	1,289	645	1,934	12,894
Miscellaneous	108	34	2,161	214	3,279	117	-	5,913	2,329	336	2,665	8,578
Occupancy	9,151	2,860	14,390	8,515	225,652	5,720	-	266,288	5,770	2,860	8,630	274,918
Office expense	171	124	625	318	432	523	-	2,193	2,554	146	2,700	4,893
Professional services	-	-	-	-	1,246	-	-	1,246	-	-	-	1,246
Total functional expenses	\$ 52,973	\$ 112,316	\$ 174,575	\$ 49,210	\$ 513,520	\$ 40,367	\$ 11,869	\$ 954,830	\$ 86,692	\$ 26,942	\$ 113,634	\$ 1,068,464

See accompanying notes to financial statements.

NORTHWEST COMPASS, INC.

STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED JUNE 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from public support	\$ 284,941	\$ 216,755
Cash received from government contracts	483,249	601,759
Cash received from other revenue sources	176,419	127,092
Cash (paid) received for security deposits	(237)	926
Cash paid to suppliers and employees	(1,278,311)	(999,761)
Cash paid for interest	(11,069)	(12,894)
Interest and dividends received	23,790	26,781
NET CASH USED IN OPERATING ACTIVITIES	(321,218)	(39,342)
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposits to insurance escrow, net	(6,083)	(454)
Deposits to operating reserve, net	(3)	(1)
Releases from/deposits to replacement reserve, net	9,859	3,933
Purchase of property and equipment	(4,471)	(155,568)
Proceeds from sale of property and equipment	-	250
Proceeds from sale of investments	297,719	611,085
Purchase of investments	(131,798)	(615,988)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	165,223	(156,743)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of mortgage notes payable	(13,109)	(32,400)
NET CASH USED IN FINANCING ACTIVITIES	(13,109)	(32,400)
NET DECREASE IN CASH	(169,104)	(228,485)
CASH, beginning of year	216,267	444,752
CASH, end of year	\$ 47,163	\$ 216,267

See accompanying notes to financial statements.

NORTHWEST COMPASS, INC.

STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED	
	JUNE 30,	
	2014	2013
Changes in net assets	\$ (184,335)	\$ 79,189
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	89,533	83,879
Bad debt	5,057	2,255
Donation of stock	(21,180)	-
Unrealized (gain) loss on investments	(69,922)	78,182
Realized gain on investments	(21,336)	(115,324)
Loss on disposal of assets	-	1,551
Change in contributed food pantry inventory	48,237	(58,646)
(Increase) decrease in:		
Grant receivables	(53,904)	5,538
Other receivables	25,276	(33,298)
Prepaid expenses	(2,630)	(4,829)
Deposits	(5,521)	22,361
(Decrease) increase in:		
Accounts payable	(32,275)	30,617
Accrued liabilities	(103,502)	(109,382)
Security deposits	5,284	(21,435)
NET CASH USED IN OPERATING ACTIVITIES	\$ (321,218)	\$ (39,342)
NON-CASH FINANCING TRANSACTIONS		
Transfer of long-term debt to another financial institution	\$ 193,559	\$ -

See accompanying notes to financial statements.

NORTHWEST COMPASS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A – Summary of significant accounting policies

Nature of activities

Northwest Compass, Inc. (the Organization) provides assistance to individuals and families ranging from information and referrals to financial assistance and housing shelter, all of which are considered to be safety net programs.

During the year ended June 30, 2014, the Organization changed the relationship with related party, CEDA of Cook County, Inc. (See Note N). As a result, the Organization changed its name from CEDA Northwest Self-Help Center, Inc. to Northwest Compass, Inc.

The program and supporting services provided by the Organization are as follows:

Program Services:

Career Coaching: Prepares the unemployed, the underemployed, or the displaced worker to become job ready in the current working environment. Assists clients in finding and maintaining employment.

Child Care: Provides financial assistance for working parents to enable them to obtain, or maintain, employment. Also allows access to a safe and stable environment for children while parents are at work.

Emergency Assistance: Includes programs for Housing Assistance and Education, Hardship Intervention and Referral, Food Connection, and Helping Hands. These individual programs are designed to respond to emergency situations which leave families and individuals without the basic essentials for survival. In addition to housing, utility, and food assistance, through the use of solution focused case management and motivational interviewing techniques, these programs assist families to become stable and self-reliant. Included in these programs are numerous training experiences for life skills, such as money management, communication, and stress management.

Temporary Shelters: Assists working homeless families by providing affordable housing. Provides safe housing, guidance, and helps clients to gain control of their finances, learn new life and money management skills, and set goals to achieve greater self-determination and independence. Rents for the 11-units in the Wright House, in Arlington Heights, Illinois, are below market rates, and the term of occupancy is without restrictions. Rents for the 8-units in Jefferson House, Des Plaines, Illinois, and the 8-units of apartments located throughout the northwest suburbs of Chicago, are tied to the family's level of income; occupancy is limited to a maximum of two years (See Note K).

NORTHWEST COMPASS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A – Summary of significant accounting policies, continued

Nature of activities, continued

Supporting Services:

Management and General: Includes the functions necessary to support program services and maintain the operations of the Organization. Management and general expenses also cover the administrative functioning of the Organization and its Board of Directors, and the managing of the financial, budgetary, and compliance responsibilities of the Organization.

Fundraising: Provides the structure necessary to encourage and secure private financial support from individuals, corporations, and foundations.

Basis of presentation

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as recommended in the American Institute of Certified Public Accountants' Audit and Accounting Guide for Not-for-Profit Organizations.

The net assets of the Organization are classified as follows:

Unrestricted, which represent the portion of expendable net assets that are available for operations and those net assets designated for a specific purpose by the Board of Directors. By action of the Board of Directors of the Organization, certain long-term investments held by the Organization have been set aside to generate income to support the Organization's programs.

Temporarily Restricted, which represent contributions subject to donor-imposed stipulations that will be met by the actions of the Organization and/or the passage of time.

The Organization has no permanently restricted net assets.

Use of estimates

The process of preparing the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NORTHWEST COMPASS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A – Summary of significant accounting policies, continued

Investments

Investments in marketable equity and fixed income securities are reported at fair value based upon market quotations. Investments in money market accounts are reported at cost. Donated investments are recorded at the fair value as of the date of contribution. Money market accounts held by the broker are considered investments. Unrealized gains and losses are included in the accompanying statements of activities.

Inventory

Contributed inventories represent inventory items donated to the food connection program for distribution. In accordance with Benefit of Agency Membership Statement, which was provided by the Greater Chicago Food Depository, the average wholesale value of contributed items was \$2.59 and \$1.87 per pound at June 30, 2014 and 2013, respectively. The Organization values items by product category rather than the aggregate and are distributed on a first-in, first-out (FIFO) basis.

Activity in contributed inventory for June 30 was as follows:

	<u>2014</u>	<u>2013</u>
Beginning Inventory	\$ 58,646	\$ -
Receipts	276,308	97,668
Distribution	<u>(324,545)</u>	<u>(39,022)</u>
Ending Inventory	<u>\$ 10,409</u>	<u>\$ 58,646</u>

Allowance for doubtful accounts

The Organization recognizes an allowance for losses on accounts receivable in an amount equal to the estimated probable losses, net of recoveries. The allowance is based on an analysis of historical bad debt experience, current receivables aging, and expected future write-offs, as well as an assessment of specific identifiable customer accounts considered at-risk or uncollectible. The expense associated with the allowance for doubtful accounts is recognized as a management and general expense. Bad debt expense for the years ended June 30, 2014 and 2013, was \$5,057 and \$2,255, respectively.

Property and equipment

Property and equipment are carried at cost if purchased or fair value if contributed. The Organization follows the practice of capitalizing property and equipment purchases over \$1,000. Depreciation is computed using the straight-line method over 40 years for buildings, 10 to 40 years for building improvements, 3 to 10 years for equipment, 10 years for appliances, and 5 years for vehicles.

NORTHWEST COMPASS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A – Summary of significant accounting policies, continued

Property and equipment, continued

Maintenance and repairs are expensed as incurred. When property and equipment are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the respective accounts and any gain or loss on disposition is credited or charged to operations.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Income taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, except for net income derived from unrelated business activities. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under IRC Section 509(a).

The Organization's income tax filings are subject to audit by various taxing authorities. The Organization's open audit periods are 2011 through the current year. In evaluating the Organization's activities, management believes its position of tax-exempt status is based on current facts and circumstances and there have been no uncertain positions taken related to recording income taxes. In the opinion of management there are no activities unrelated to the purpose of the Organization and therefore no tax is to be recognized.

It is the policy of the Organization to include in management and general expenses penalties and interest assessed by income taxing authorities. There are no penalties or interest from taxing authorities included in management and general expenses for the years ended June 30, 2014 and June 30, 2013.

Functional allocation of expenses

In the statements of functional expenses, expenses are first charged to program, management and general, and fundraising on the basis of actual expense. Certain other expenses are allocated to each program based on the type of support provided and the staff time involved.

NORTHWEST COMPASS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A – Summary of significant accounting policies, continued

Functional allocation of expenses, continued

Due to programmatic changes during the year ended June 30, 2014, the expense allocations are on a different basis than for the year ended June 30, 2013. The following programs have been regrouped for the year ended June 30, 2014: Comprehensive Case Management, Emergency Assistance, Financial Management and Budget Counseling, and Employment Counseling.

Subsequent events

Subsequent events were evaluated through October 28, 2014, which is the date the financial statements were available to be issued.

NOTE B – Fair value measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2: Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

NORTHWEST COMPASS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE B – Fair value measurements, continued

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There are no changes in valuation methodologies used at June 30, 2014 and 2013.

Fair values for equities and fixed income securities are determined by reference to quoted market prices and other relevant information generated by market transactions.

Fair values of assets measured on a recurring basis were as follows:

	Fair Value Measurements at June 30, 2014			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 5,354	\$ -	\$ -	\$ 5,354
Fixed income securities:				
Corporate bonds	128,693	-	-	128,693
Mutual funds	127,090	-	-	127,090
Total fixed income securities	255,783	-	-	255,783
Equities:				
US Common Stocks				
Basic materials	86,458	-	-	86,458
Consumer goods	84,426	-	-	84,426
Industrial goods	40,043	-	-	40,043
Financial	125,733	-	-	125,733
Services	194,000	-	-	194,000
Technology	75,383	-	-	75,383
Total equities	606,043	-	-	606,043
	<u>\$ 867,180</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 867,180</u>

NORTHWEST COMPASS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE B – Fair value measurements, continued

	Fair Value Measurements at June 30, 2013			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 43,763	\$ -	\$ -	\$ 43,763
Fixed income securities:				
Corporate bonds	127,793	-	-	127,793
Mutual funds	257,432	-	-	257,432
Total fixed income securities	385,225	-	-	385,225
Equities:				
US Common Stocks				
Basic materials	60,627	-	-	60,627
Consumer goods	67,694	-	-	67,694
Industrial goods	82,861	-	-	82,861
Financial	90,526	-	-	90,526
Services	76,446	-	-	76,446
Technology	113,521	-	-	113,521
Total equities	491,675	-	-	491,675
	<u>\$ 920,663</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 920,663</u>

NOTE C – Concentration of credit risk

The Organization maintains the majority of its cash at multiple financial institutions. All deposit accounts at Federal Deposit Insurance Corporation (FDIC) insured institutions are insured up to \$250,000. At times during the year, the Organization's bank balances may have exceeded the federally insured limits; however, it has not experienced any losses with respect to its bank balances in excess of government provided insurance.

The Organization maintains the majority of its investments at a single financial institution with a Securities Investors Protection Corporation (SIPC) member broker. Securities, including mutual funds, are not insured against loss in value. The value of investments can go up or down depending on the demand for them in the market. The SIPC replaces missing stocks and other securities in customer accounts held by its members up to \$500,000, including up to \$100,000 in cash, if a member brokerage or bank brokerage subsidiary fails. The broker provides supplemental protection on assets over \$500,000 through certain underwriters at XL Insurance, subject to an aggregate loss limit of \$24.5 billion (for securities only) subject to a \$200 million aggregate cap to claims from the broker. There is a per-client limit for cash of \$1,900,000.

NORTHWEST COMPASS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE C – Concentration of credit risk, continued

The Organization has not experienced any losses related to these accounts and believes it is not exposed to any significant credit risk. The Organization places its investments in various types of financial instruments as outlined in Note B.

As of June 30, 2014 and 2013, the Organization received 38% and 52%, respectively, of its total revenue from government contracts. As of June 30, 2014, two sources of funding comprised 78% of grants receivable and as of June 30, 2013, three sources of funding comprised 81% of grants receivable.

NOTE D – Tenants' accounts receivable

Tenants' accounts receivable for the Jefferson House which are included in rent and other receivables on the accompanying statements of financial position as of June 30, consisted of the following:

	<u>2014</u>		<u>2013</u>	
	<u>Number of Tenants</u>	<u>Amount Past Due</u>	<u>Number of Tenants</u>	<u>Amount Past Due</u>
Delinquent 30 days or less	3	\$ 254	-	\$ -
Delinquent 31 to 60 days	-	-	1	227
Delinquent 61 to 90 days	-	-	1	227
Delinquent over 90 days	-	-	1	154
Total		<u>\$ 254</u>		<u>\$ 608</u>

As of June 30, 2014, three tenants made up the balance for tenants' accounts receivable. As of June 30, 2013, one tenant made up the balance for tenants' accounts receivable.

NOTE E – Pledges receivable

The Organization has received a letter of intent from a Foundation for the market value of a lease for one of the Organization's tenants. This amount is classified as deferred revenue, and included in accrued liabilities, until received in accordance with the lease. The total amount of these pledges receivable as of June 30, 2014 and 2013 was \$8,379 and \$6,338, respectively.

NORTHWEST COMPASS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE F – Property and equipment

The costs of the Organization’s property and equipment as of June 30, were as follows:

	<u>2014</u>	<u>2013</u>
Land	\$ 189,885	\$ 189,885
Building and improvements	2,984,406	2,979,935
Appliances	18,036	18,284
Equipment	34,871	35,476
Vehicles	<u>19,995</u>	<u>19,995</u>
	<u>3,247,193</u>	<u>3,243,575</u>
Less accumulated depreciation	<u>1,277,812</u>	<u>1,189,132</u>
	<u>\$ 1,969,381</u>	<u>\$ 2,054,443</u>

Depreciation expense for the years ended June 30, 2014 and 2013 was \$89,533 and \$83,879, respectively.

NOTE G – Restricted deposits and funded reserves

Under the Jefferson House regulatory agreement, the Organization is required to set aside amounts for the replacement of property and other project expenditures approved by the Illinois Housing Development Authority (IHDA). IHDA-restricted deposits are held in separate accounts and generally are not available for operating purposes.

	<u>Insurance Escrow</u>	<u>Replacement Reserve</u>	<u>Operating Cash Reserve</u>
Balance July 1, 2013	\$ 13,121	\$ 37,344	\$ 183,272
Deposits	6,083	2,000	-
Interest income	-	1	3
Disbursements	-	(11,860)	-
Balance June 30, 2014	<u>\$ 19,204</u>	<u>\$ 27,485</u>	<u>\$ 183,275</u>
	<u>Insurance Escrow</u>	<u>Replacement Reserve</u>	<u>Operating Cash Reserve</u>
Balance July 1, 2012	\$ 12,667	\$ 41,277	\$ 183,271
Deposits	6,180	2,000	-
Interest income	1	-	1
Disbursements	(5,727)	(5,933)	-
Balance June 30, 2013	<u>\$ 13,121</u>	<u>\$ 37,344</u>	<u>\$ 183,272</u>

NORTHWEST COMPASS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE H – Line of credit

As of June 30, 2014 and 2013, the Organization had a revolving line of credit. The maximum amount available under this agreement is \$50,000. As of June 30, 2014 and 2013 the interest rate was 5% and 3.5%, respectively. Interest is due monthly. As of June 30, 2014 and 2013, there was no outstanding balance on the line of credit and no interest was paid due to no activity during the years.

NOTE I – Mortgage notes payable

The Organization had a mortgage with JPMorgan Chase in the original amount of \$328,415. The mortgage was dated June 30, 2008 and was transferred to The People’s Bank of Arlington Heights on July 8, 2013 in the amount of \$194,542. Principal and interest are payable in monthly installments of \$2,071. Interest is payable at 5% per annum. The loan is secured by the building at 1300 West Northwest Highway, Mount Prospect. As of June 30, 2014 and 2013, the Organization had an outstanding principal balance of \$180,467 and \$192,376, respectively.

The Organization has a mortgage with IHDA in the original amount of \$499,991. The mortgage is dated September 30, 1999 and matures October 1, 2024. Principal is payable in monthly installments of \$100. There is no interest payable associated with this loan. The loan is secured by the rental property at 1380 Jefferson, Des Plaines. As of June 30, 2014 and 2013, the Organization had an outstanding principal balance of \$482,291 and \$483,491, respectively.

Under the agreements with IHDA, the Organization is required to make monthly escrow deposits for insurance and replacement of project assets, and is subject to restrictions as to operating policies, rental charges, and operating expenditures. (See Note G)

Maturities of long-term debt are as follows:

Years ended <u>June 30,</u>	
2015	\$ 17,340
2016	18,216
2017	19,087
2018	20,002
2019	111,822
2020 & Thereafter	<u>476,291</u>
	<u>\$ 662,758</u>

NORTHWEST COMPASS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE J – Temporarily restricted assets

The following items were temporarily restricted as of June 30, due to either use or time restrictions:

	<u>2014</u>	<u>2013</u>
Day Care	\$ 2,000	\$ 1,500
Emergency Assistance	2,638	4,072
Head Start	4,500	3,375
Management & General	<u>-</u>	<u>651</u>
	<u>\$ 9,138</u>	<u>\$ 9,598</u>

The following items were released from time and/or donor restrictions during the years ended June 30, 2014 and 2013 by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by the donors as follows:

	<u>2014</u>	<u>2013</u>
Day Care	\$ 1,500	\$ -
Emergency Assistance	4,072	10,719
Head Start	3,375	2,867
Management & General	<u>651</u>	<u>-</u>
	<u>\$ 9,598</u>	<u>\$ 13,586</u>

NOTE K – Rental income

The Organization receives rental income from its Temporary Shelters program. All leases between the Organization and the tenants of the property are operating leases. The Organization rents out its Jefferson House building and the scattered sites locations to the tenants for six months with monthly rent equal to ten percent of the tenant's gross income or thirty percent of adjusted gross income. The Organization is prohibited from increasing the Jefferson House rent without IHDA approval. The cost of the Jefferson House building as of June 30, 2014 and 2013 was \$930,805 and \$926,334, respectively. The corresponding accumulated depreciation on the building as of June 30, 2014 and 2013 was \$335,279 and \$313,618, respectively.

NORTHWEST COMPASS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE K – Rental income, continued

The monthly rent for the tenants at the Wright House varies depending on the type of unit being rented. The Organization rents out the building to the tenants for six months. The cost of the Wright House building as of June 30, 2014 and 2013 was \$1,094,299. The corresponding accumulated depreciation on the building as of June 30, 2014 and 2013 was \$428,302 and \$395,455, respectively.

NOTE L – Contributions in kind

Donations for use of facilities are recorded at their fair market value. Such donations are reported as unrestricted support. During the years ended June 30, 2014 and 2013, the Organization received donated facilities valued at \$16,687 and \$14,952, respectively.

Donations of property and equipment are recorded as financial support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Conditional transfer of assets is recognized when the conditions on which they depend are substantially met. During the years ended June 30, 2014 and 2013, the Organization received donated property and equipment valued at \$4,114 and \$0, respectively.

Donations of services are recorded if they create or enhance a non-financial asset or are specialized skills that would be purchased if they were not donated. During the years ended June 30, 2014 and 2013, the Organization received donated services valued at \$753 and \$0, respectively.

The Organization receives donated food and grocery items from the general public for distribution to client families. During the years ended June 30, 2014 and 2013, management estimated the retail value of such donations at a value of \$2.59 and \$1.87 per pound, respectively, with a total value of \$276,308 and \$97,668, respectively. These are recorded as both a revenue and expense item for the years ended June 30, 2014 and 2013.

NOTE M – Lease obligation and rental expense

The Organization is obligated under rental leases for residential apartments occupied by participants of its programs. These leases are for one to two year lease terms. During the year ended June 30, 2014, rent was payable in monthly installments ranging from \$914 to \$1,395.

Rental expense on all leases for the years ended June 30, 2014 and 2013 was \$121,634 and \$120,620, respectively.

NORTHWEST COMPASS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE M – Lease obligation and rental expense, continued

The estimated future minimum rental and lease obligations for the year ended June 30, 2015 under non-cancelable operating leases in effect as of June 30, 2014 is \$28,712.

NOTE N – Related party transactions

As a result of the change in relationship in Note A, the Organization has settled all payables and receivables with CEDA of Cook County, Inc. During the years ended June 30, 2014 and 2013, the Organization had related party transactions with CEDA of Cook County, Inc. in relation to payroll and rent.

CEDA of Cook County, Inc. provided the use of its employees to the Organization for its programs. The Organization paid the portion of payroll for these employees attributable to the Organization's programs. During the years ended June 30, 2014 and 2013, the Organization incurred salaries and benefits expense for its use of CEDA of Cook County, Inc. employees of \$332,112 and \$436,485, respectively. As of June 30, 2014 and 2013, the Organization estimates it owed CEDA of Cook County, Inc. \$0 and \$135,044, respectively, for unbilled salary and benefits expense and is included in accrued liabilities in the accompanying statements of financial position.

CEDA of Cook County, Inc. also paid into a 401(k) plan for the Organization. For each employee, 50% of the employee contribution up to 2% of gross salary was paid directly by CEDA of Cook County through fringe benefits for the 401(k). Management estimates the total portion of the 401(k) paid in by the Organization for 2014 and 2013 was approximately \$5,800 and \$7,500, respectively.

During the year ended June 30, 2013, CEDA of Cook County, Inc. and the Organization entered in to an interagency agreement where the Organization now received rent from CEDA of Cook County, Inc. As of June 30, 2014 and 2013, the amount of rent due from CEDA of Cook County, Inc. was \$0 and \$32,587, respectively.

NORTHWEST COMPASS, INC.
OMB CIRCULAR A-133 AUDIT REQUIREMENTS



Certified Public Accountants and Advisers

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

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To the Board of Directors of
Northwest Compass, Inc.
Mount Prospect, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Northwest Compass, Inc., which comprise the statement of financial position as of June 30, 2014, and the related statements of activity, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northwest Compass, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northwest Compass, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Northwest Compass, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northwest Compass, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SS&G, Inc.

October 28, 2014

SS&G

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CEDA NORTHWEST SELF-HELP CENTER, INC.**SCHEDULES OF FINANCIAL POSITION - JEFFERSON HOUSE****IHDA Loan No. 30-1152-01**

	JUNE 30,	
	2014	2013
ASSETS		
CURRENT ASSETS		
Cash	\$ 22,404	\$ 17,936
Accounts receivable	518	14,894
	<u>22,922</u>	<u>32,830</u>
PROPERTY AND EQUIPMENT, net	596,058	613,453
OTHER ASSETS		
Insurance and tax escrow deposit	19,204	13,121
Deposits held in trust for participants	2,341	1,353
Operating and replacement cash reserve	210,759	220,616
	<u>232,304</u>	<u>235,090</u>
TOTAL ASSETS	<u>\$ 851,284</u>	<u>\$ 881,373</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 7,225	\$ 31,971
Accrued expenses	417	534
Current portion of long-term debt	1,200	1,200
Deferred revenue	-	382
Due to/from other funds	(137,036)	(21,627)
	<u>(128,194)</u>	<u>12,460</u>
LONG-TERM LIABILITIES		
Mortgage payable	481,091	482,291
Deposit liabilities	2,251	1,353
	<u>483,342</u>	<u>483,644</u>
TOTAL LIABILITIES	355,148	496,104
NET ASSETS	<u>496,136</u>	<u>385,269</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 851,284</u>	<u>\$ 881,373</u>

See independent auditors' report.

NORTHWEST COMPASS, INC.

SCHEDULES OF OPERATIONS - JEFFERSON HOUSE

IHDA Loan No. 30-1152-01

	FOR THE YEARS ENDED	
	JUNE 30,	
	2014	2013
Occupancy data		
Program occupancy (%)	93.75%	92.71%
Total occupancy (%)	93.75%	92.71%
Income		
Rental income	\$ 26,566	\$ 25,986
Section 8 income	-	-
236 subsidy	-	-
Vacancy loss	(5,369)	(4,516)
SLF business income	155,053	200,613
Total other receipts	743	1,491
Effective gross income (EGI)	<u>176,993</u>	<u>223,574</u>
Expenses		
Management fees	-	-
Bad debt expense	1,477	-
Other admin expenses	12,019	6,390
Operating expenses	6,435	5,177
Maintenance expenses	11,436	6,608
Materials and supplies	68	115
Salaries and wages	129,817	138,464
Utilities	7,694	8,044
Real estate taxes	-	-
Property and liabilities	6,083	6,180
Other taxes and insurance	-	-
Replacement reserve funding	2,000	2,000
General operating reserve funding	-	-
MIP reserve funding	-	-
SLF and congregate expenses	-	-
Other expenses	-	-
Total expenses	<u>177,029</u>	<u>172,978</u>
Net operating income (NOI)	(36)	50,596
Debt service total	1,200	1,200
Debt coverage ratio (DCR)	<u>-3333%</u>	<u>2.37%</u>
Capital budget total	4,471	61,893
Partnership expenses total	-	-
Net cash provided/needed	<u>(5,707)</u>	<u>(12,497)</u>
Sources and other funds - (received)		
Partnership contribution total	-	-
Total other contributions	-	-
Replacement reserve withdrawals total	-	-
Other reserve withdrawal total	-	-
Total sources of other funds	-	-
Net cash after sources of other funds	<u>\$ (5,707)</u>	<u>\$ (12,497)</u>

See independent auditors' report.